

HOUSING DEPARTMENT

Impact Analysis Report

OVERVIEW

The Housing Department is responsible for the collection of inclusionary fees and also for the collection of fees related to Rental Rights and Referrals Program. Inclusionary fees are paid by developers in Redevelopment Project Areas or other specially-designated areas if the developers do not build inclusionary (affordable) units. This fee is also paid for fractions of units that must be provided under the development requirement. The inclusionary fee is the amount the Housing Department would need to subsidize the construction of an affordable rental/owner unit.

In 2005-2006, construction costs increased significantly and the average City subsidy to produce an affordable rental unit rose to \$71,400. The 2006-2007 Inclusionary Fee for rental units is being increased to reflect this. Also in 2005-2006, the City Council approved an increase in the maximum First-time/Teacher Homebuyer Program loan to \$65,000. This change is reflected in the increase to the Ownership Inclusionary Fee.

The Housing Department is also responsible for the Rental Rights and Referrals Program. Annual fees are assessed on apartments and mobile homes that are covered under the City ordinances to cover the cost of providing information, referrals, and mediations to help resolve tenant/landlord disputes.

The current fee for the non-rent controlled units generates approximately \$11,300 in revenue, less than the estimated \$57,000 cost to administer the program. The gap in

funding is currently bridged by a Community Development Block Grant to the program. Predictions of ongoing demand for the program services are still uncertain because of the current depressed rental market. Staff intends to postpone fee increases to allow for a more stable evaluation period. The goal is to arrive at a fee amount that would sustain the program over a period of years and avoid short-term changes to the fee structure. At the end of 2006-2007, Staff will evaluate costs and develop a recommendation for a fee increase to allow the program to become financially self-sufficient.

SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS

Changes are proposed to the 2006-2007 Inclusionary Fee as follows:

- *Rental Alternative Restricted Unit to be developed within a redevelopment project area:* from \$61,150 per unit to \$71,400 per unit.
- *Rental Alternative Restricted Unit to be developed outside a redevelopment project area:* from \$122,300 per unit to \$142,800 per unit.
- *Ownership Alternative Restricted Unit to be developed within a redevelopment project area:* from \$50,000 per unit to \$65,000 per unit.
- *Ownership Alternative Restricted Unit to be developed outside a redevelopment project area:* from \$100,000 per unit to \$130,000 per unit.

HOUSING DEPARTMENT (CONT'D.)

SUMMARY AND IMPACT OF PROPOSED FEE REVISIONS (CONT'D.)

A discussion of the Housing Department's fees is also provided in the 2006-2007 Proposed Operating Budget document. This can be found in the Neighborhood Services CSA section on page VII-243 of the document. Revenue estimates are included in the Multi-Source Housing Fund Statement of Source and Use of Funds (page XI-62 of the document).

NOTIFICATION

General public notice of the proposed fee changes will be provided through published Council hearing dates and a minimum of ten days for public review of the 2006-2007 Proposed Fees and Charges Report.

DEPARTMENTAL FEES & CHARGES

HOUSING DEPARTMENT

Service	Adopted 2005-2006 Fee	Council Policy Cost Recovery Category	Adopted Cost Recovery %	Proposed 2006-2007 Fee	2006-2007 Estimated Cost	Estimated 2006-2007 Revenue		% Cost Recovery	
						Current Fee	Proposed Fee	Current Fee	Proposed Fee
MULTI-SOURCE HOUSING FUND (448)									
1. RENTAL DISPUTE MEDIATION		Category I	84.3%						
a. Apartment Unit	\$9.09 annually			No Change	504,454	377,889	377,889	87.7%	87.7%
b. Mobile Home Unit	\$6.26 annually			" "		64,647	64,647		
c. Non-Rent Controlled Apartment Units	\$0.50 annually			" "	57,482	11,319	11,319	19.7%	19.7%
2. RENTAL MEDIATION PENALTY*	Penalties & interest assessed for delinquent permit payment	Category II	N/A	No Change	N/A	N/A	N/A	N/A	N/A
3. INCLUSIONARY FEES		Category II							
a. Rental Alternative Restricted Unit to be developed within a redevelopment project area	\$61,150 per unit		N/A	\$71,400 per unit	N/A	N/A**	N/A**	N/A	N/A
b. Rental Alternative Restricted Unit to be developed outside a redevelopment project area	\$122,300 per unit		N/A	\$142,800 per unit	N/A	N/A**	N/A**	N/A	N/A
c. Ownership Alternative Restricted Unit to be developed within a redevelopment project area	\$50,000 per unit		N/A	\$65,000 per unit	N/A	N/A**	N/A**	N/A	N/A
d. Ownership Alternative Restricted Unit to be developed outside a redevelopment project area	\$100,000 per unit		N/A	\$130,000 per unit	N/A	N/A**	N/A**	N/A	N/A
SUBTOTAL			85.8%		561,936	453,855	453,855	80.8%	80.8%
TOTAL DEPARTMENT - GENERAL FUND									
TOTAL DEPARTMENT - NON-GENERAL FUND					N/A	N/A	N/A	N/A	N/A
					561,936	453,855	453,855	80.8%	80.8%
TOTAL DEPARTMENT - CATEGORY I					561,936	453,855	453,855	80.8%	80.8%
TOTAL DEPARTMENT - CATEGORY II					N/A	N/A	N/A	N/A	N/A
TOTAL DEPARTMENT					561,936	453,855	453,855	80.8%	80.8%

* Penalties for late payments on apartments are:

30 days past due = 25% of principal

60 days past due = 50% of principal plus 1.5% interest per month on the principal

Penalties for late payments on mobile homes are:

30 days past due = 10% of the amount of the fee

** Due to the volatility of the housing market, it is difficult to estimate the amount of inclusionary fees developers would pay.